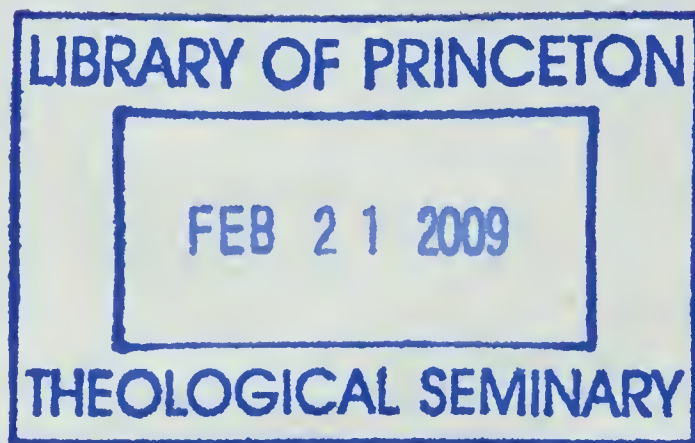


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# **The CHRISTIAN DOCTRINE of PROPERTY**

By

**Right Rev. Msgr. John A. Ryan, D.D.**



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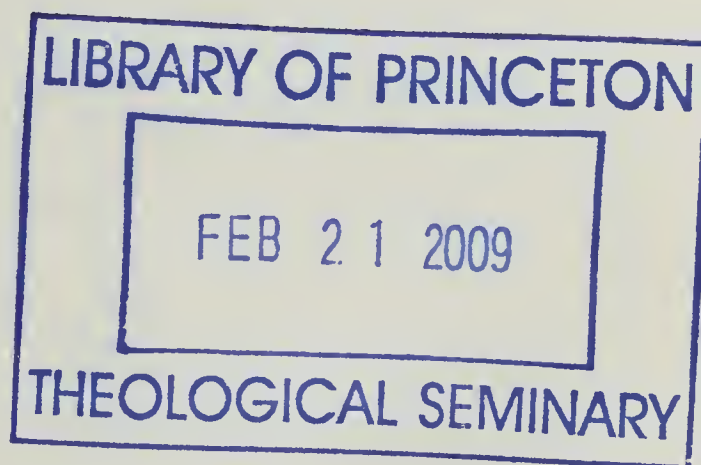


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*Ch. Beckley*



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# The Christian Doctrine of Property<sup>1</sup>

By JOHN A. RYAN, D.D.

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## I

ALL the great radical movements for industrial reform involve the institution of private property. Socialism would abolish private ownership of the instruments of production; the Single Tax system would substantially abolish private ownership of land. Public ownership of such things as railroads, telegraphs, and municipal utilities would restrict very considerably the scope of private ownership, and even such milder proposals as profit-sharing and labor participation in management would cause a redistribution of the existing powers and functions of ownership.

The relations between capital and labor and the manner in which the product is distributed are what we find them today mainly because our industrial system is based upon a certain form of private property. The instruments of production are owned and managed by private individuals and organizations. The conditions and terms of employment and the distribution of the industrial product, are likewise determined by the fact that capital is private property, not the property of the State. Both these matters are arranged by agreement between the workers on the one hand, and the owners of capital on the other. Hence, both capitalist and laborer are vitally interested in the institution of private property. The

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<sup>1</sup> Reprinted from the *Quarterly Bulletin* of the Meadville Theological School, April, 1922.

former prizes the institution as a means of livelihood and a source of social and industrial power; the latter is no less keenly interested, although in a somewhat different way, and for somewhat different reasons. The worker wishes to own his wages and the things that his wages will buy, and he frequently desires to restrict the social and industrial power which ownership confers upon the capitalist.

All the efforts of revolutionists and reformers for the abolition or for a reorganization of the system of private property, and all the disputes between labor and capital concerning employment conditions and the distribution of the product, assume that there is involved an ethical principle, a principle of justice. To that supreme principle all make their final appeal. Inasmuch as the Church is the teacher and interpreter of morals, in economic no less than in the other relations of life, her doctrine of property is of the highest importance.

The founder of Christianity is sometimes represented as a revolutionist, a communist, or at least as one who did not believe in private property. No such claim can be substantiated by any fair study of the Gospels. Christ nowhere condemned the private ownership of goods as unjust or unlawful. Probably the nearest approach to such a declaration is found in His reply to the rich young man who asked what he should do in order to have life everlasting. When Christ enumerated the principal commandments, the young man replied: "All these have I kept from my youth, what is yet wanting to me?" The answer of Jesus was: "If thou wilt be perfect, go sell what thou hast and give to the poor, . . . ." In these statements Our Lord drew quite clearly the



distinction between what is necessary and what is of counsel. The young man was not required to divest himself of his goods unless he wished to be *perfect*, but he was not *commanded* to be perfect. Moreover, the fact that Christ counseled the young man to "sell" his goods, shows that He did not regard private ownership as unlawful in itself. Had He meant to teach such a doctrine, He would have required the young man to give away his goods, not to convey the title of ownership to another by a sale. The young man could not have sold what was not his. Again, Christ became a guest in the house of the rich man, Zacheus, and assured him, "this day is salvation come to this house." Zacheus had said: "Behold, Lord, the half of my goods I give to the poor." Christ did not command him to give away the other half as a condition of salvation.

Our Divine Lord did, indeed, emphasize the dangers of riches and denounce the rich in severe terms. "It is easier for a camel to pass through the eye of a needle, than for a rich man to enter into the Kingdom of Heaven." Nevertheless, He immediately added: "With men this is impossible, but with God all things are possible." The rich man who had rejected the plea of the beggar Lazarus is pictured in hell. The poor widow who contributed two brass mites to the treasury is praised above the rich men who had given of their abundance.

What Christ required was not that men should refrain from calling external goods their own, but that they should make a right use of such goods. He declared that salvation was come to the house of Zacheus when He heard that the latter was in the habit of giving half of his wealth to the poor. In His description of the

last judgment He promised heaven to those who would feed the hungry, give drink to the thirsty, and clothe the naked. These are only a few of the Gospel indications that Christ made the right use and the proper distribution of private property one of the most binding and important of His commandments.

There is another element of Christ's teaching which has a very important bearing upon the doctrine of property. That is His insistence upon the intrinsic worth and sacredness of the human individual, and the essential equality of all human persons. From the fact that every human being has intrinsic worth, it follows that he has a moral claim upon the common means of life and of livelihood; from the fact that all persons are equal in the eyes of God and equally destined for eternal life, it follows that they have equal claims upon God's earthly bounty for at least the essentials of right and Christian living. It is true, indeed, that Christ nowhere formulated these propositions in the terms just used; nevertheless, they are a correct rendering of His teaching on these subjects. Because of this teaching, St. Paul could adjure Philemon to take back his runaway slave, Onesimus, "not now as a servant, but instead of a servant a most dear brother." Christ's teaching concerning the intrinsic worth and the essential equality of all human beings has important implications, not only with regard to spiritual goods and welfare, but also with respect to all things necessary for Christian living, including access to material goods. These implications have been recognized and applied by the authorities of the Church from the beginning until the present hour.

The most radical application of the doctrine of

equality was made by the first Christians of Jerusalem who sold their individual possessions and "had all things in common, . . . and divided them to all, according as everyone had need." This was the Christian Communism which Socialists and other extremists sometimes point to as exemplifying the normal and necessary Christian attitude toward property. However, this contention is unsound, for two very good reasons. First, the arrangement was entirely voluntary, as we see from the words of St. Peter to Ananias: "Whilst it remained, did it not remain to thee? And after it was sold, was it not in thy power?" Here is a clear indication that none of the early Christians was morally bound to contribute his private property to the common store. In the second place, there is no evidence that community of goods was continued more than a few years among the early Christians. Apparently, it was due to the peculiar conditions of the faithful in Jerusalem, and possibly to the first fervor of new converts.

It is in the writings of some of the great Fathers of the Church in the fourth and fifth centuries that we find the most striking recognition of the claims of all men upon the bounty of the earth, and of the obligations of proprietors to make a right and social use of their goods. St. John Chrysostom exclaimed: "Are not the earth and the fullness thereof the Lord's? If, therefore, our possessions are the common gift of the Lord, they belong also to our fellows; for all the things of the Lord are common." Speaking to the rich of his day, St. Basil declared: "That bread which you keep belongs to the hungry; that coat which you preserve in your wardrobe, to the naked; those shoes which are rotting in your



possession, to the barefooted; that gold which you have hidden in the ground, to the needy." According to St. Augustine: "The superfluities of the rich are the necessities of the poor. They who possess superfluities, possess the goods of others." St. Ambrose declared that God intended the earth to be "the common possession of all," and that "the earth belongs to all, not to the rich." In the words of St. Gregory the Great: "When we give necessities to the needy, we do not bestow upon them our goods; we return to them their own; we pay a debt of justice, rather than fulfill a work of mercy." St. Jerome quoted with approval a saying that was common in his time: "All riches come from iniquity, and unless one has lost, another cannot gain."

While very few subsequent writers or teachers of the Church used quite such strong language as that just quoted, they all taught the same doctrine in substance. According to St. Thomas Aquinas, it is right that property should be private with respect to the power of acquisition and disposal, but that it should be common as regards its use; the abundance of the rich belongs by natural right to the poor; the order of reason requires that a man should possess justly what he owns, and use it in a proper manner for himself and others; and finally the man who takes the goods of another to save himself from starvation is not guilty of theft. When Cardinal Manning, some thirty-five years ago, reiterated this doctrine of the right of the starving man to appropriate alien goods to save himself from starvation, he was denounced as an anarchist by some of the newspapers of that day. These journals showed that they were ignorant of the traditional Christian teaching of prop-



erty rights; they knew only a false ethics of property.

According to the Christian conception, and according to the law of nature and of reason, the primary right of property is not the right of exclusive control, but the right of use. In other words, the common right of use is superior to the private right of ownership. God created the goods of the earth for the sustenance of all the people of the earth; consequently, the common right of all to enjoy these goods takes precedence of the particular right of any individual to hold them as his exclusive possession. To deny this subordination of the private to the common right, is to assert in effect that nature and nature's God have discriminated against some individuals, and in favor of others. Obviously, this assertion cannot be proved by any evidence drawn either from revelation or from reason. The fact that the State sometimes violates this order, exaggerating the privileges of private owners to such an extent as to deny the common right of all the general heritage, merely shows that the State can sometimes do wrong.

Nevertheless, this common right of property, the right of use, is not a sufficient provision for human welfare. Men need not only the general opportunity to use goods, the general right of access to the bounty of nature, but also the power of holding some goods as their own continuously. They require the power of excluding others from interference with those goods that they call their own. Without such a right and such powers, personal development, personal security, and adequate provision for family life are impossible. All this is evident with regard to those things which economists call "consumptive goods"; that is, those goods which are

necessary for the direct and immediate satisfaction of human wants; such as food, clothing, shelter, household furniture, and some means of amusement, recreation, and moral, religious, and intellectual activities. The necessity of private ownership in these articles is not denied by anyone today, not even by Socialists.

As the term is ordinarily understood, private ownership means more than ownership of consumptive goods. It embraces more particularly productive goods, the natural and artificial means of production; such as lands, mines, railroads, factories, stores and banks. Today, all these are owned by private individuals or by corporations. With regard to this kind of private property, the Catholic Church, especially through Pope Leo XIII and his successors, has laid down positive and specific doctrine. Socialism, that is, State ownership of all the means of production, was condemned by Pope Leo XIII as detrimental to the working people and to society, and as contrary to the natural rights of the individual. According to the Catholic doctrine, therefore, the right of the individual or of a group of individuals to acquire and hold in private ownership some of the means of production, is in harmony with, and required by, the moral law of nature. The institution of private ownership, even in the means of production, is declared to be necessary for human welfare. Therefore, the State would injure human welfare and violate the moral law if it were to abolish all private property in the instruments of production.

However, care must be taken not to exaggerate the implications of this doctrine. All that it asserts is that the institution of private property in some of the means

of production is morally lawful and morally necessary; all that it condemns is the contradictory system which would put the State in the position of owner and manager of all, or practically all, natural and artificial capital.

Therefore, the Catholic teaching does not condemn public ownership of what are called public utilities, such as railroads, telegraphs, street railways, and lighting concerns. It does not even condemn public ownership of one or more of the great instruments of production which are not included in the field of public utilities. For example, it has nothing to say against State ownership of mines, or State ownership of any other particular industry if this were a necessary means of preventing monopolistic extortion to the great detriment of the public welfare. Where the line should be drawn between State ownership of industries which is morally lawful and State ownership which encroaches upon the right of private property, cannot be exactly described beforehand. The question is entirely one of expediency and human welfare. In any case, the State is obliged to respect the right of the private owner to compensation for any of his goods that may be appropriated to the uses of the public.

Another caution concerns the actual distribution and the actual enjoyment of private property. While the Church opposes Socialism, it does not look with favor upon the restriction of capital ownership to a small minority of the population. Indeed, the considerations which move the Church to oppose the Socialist concentration of ownership, are an argument against a concentration in the hands of individuals and corpora-



tions. Every argument which Pope Leo XIII uses against Socialism is virtually a plea for a wide diffusion of capital ownership. The individual security and the provision for one's family which a man derives from private property, are obviously benefits which it is desirable to extend to the great majority of the citizens. It is not enough that private ownership should be maintained as a social institution. The institution should be so managed and regulated that its benefits will be directly shared by the largest possible number of individuals. Therefore, Pope Leo XIII declared explicitly that it is the duty of the State "to multiply property owners."

Therefore, those ultraconservative beneficiaries of the present order who see in the Church's condemnation of Socialism approval of the existing system with all its inequities, are utterly mistaken. They have missed the fundamental principles and aims of the Church's teaching. The Church advocates private ownership indeed, but she does not defend the present unnatural and anti-social concentration of ownership. She is interested in the welfare of all the people, and wishes that all should share directly in the benefits which private property provides.

So much for the *right* of private ownership. The *duties* of the proprietor occupy a no less important place in the Christian teaching. In general, they are a limitation upon the right of property. The right is exclusive as regards other individuals; that is to say, it excludes others than the proprietor from exercising the essential control which is conferred upon the proprietor. As regards God, the right of the proprietor is limited.



Neither Christian teaching nor sound philosophy regards this right as absolute. The private owner is a steward of his goods rather than an irresponsible master. It is from the pagan code of Roman law, from the virtually pagan Code Napoleon, and from the unmoral and immoral principles of economic liberalism that has arisen the pernicious doctrine that "one may do what one pleases with one's own." The so-called "right of use and abuse" which has obtained such wide currency in industrial thought and practice, is in fundamental opposition to the Christian teaching.

The limitations set by that teaching to the powers and rights of the private owner follow logically from the Christian doctrine concerning the common bounty of nature, the common right of access to that bounty, and the recognition of the right of use as the primary right of property. Some of the duties of the private owner have already been pointed out by implication in our discussion of the teaching of the Fathers of the Church. In a general way, the obligations of the proprietor with regard to the right use of his goods may be thus formulated: He must so use and administer his property that other men shall enjoy the benefit of it on just terms and conditions. Only thus can the private right of property be reconciled with the superior common right of access to the bounty of the earth. One inference from the general principle was drawn by St. Thomas Aquinas, when he declared that a man's superfluous goods belong by natural right to the poor. For the time and society in which St. Thomas wrote, this was probably the most important particular application of the principle. In the present social and industrial

system, with its immense aggregations of capital and its enormous numbers of people whose livelihood depends upon their relation and access to these industrial enterprises, right use of property and the sharing of its benefits "on just terms and conditions," have different and far wider applications. Chief among these applications is the right of the worker to a living wage, and the right of the consumer to just prices. So much is certain. Right use, reasonable access to the common bounty, and participation in the benefits of property on just and reasonable conditions, may also require, and sometimes they do require, the recognition of labor unions, sharing by the workers in industrial management and in profits, and the limitation of rates of industrial interest by the State.

In any case, the general principles are clear: The earth is intended by God for all the children of men; individuals or corporations that have appropriated any portion of the common bounty to their exclusive control and disposition hold it subject to this primary and fundamental social purpose; therefore, they are morally obliged to administer it in such a way that all who live by it, or depend upon it, shall enjoy the economic opportunity of a reasonable and normal life.

Although Pope Leo XIII condemns State ownership and management of *all* the instruments of production, he did not reject State regulation of private property. On the contrary, he laid down a principle which would give to the State all the power and authority which any reasonable person could desire over industrial relations, and for enforcing the limitations of ownership: "Whenever the general interest or any particular class suffers

or is threatened with injury which can in no other way be met or prevented, it is the duty of the public authority to intervene." This principle would justify legislation of many kinds for a better use of private property and for a wider distribution of its benefits.

The Christian doctrine of property is sufficient, on the one hand, to protect the common interest and claims of all human beings, and on the other hand, to safeguard all the reasonable rights of individual proprietors. The evils which have existed and still exist in connection with private property are not inherent in the institution, as that institution is understood and defended by the Christian teaching. The most dangerous enemies of the institution are neither the exponents of the Christian teaching nor the social reformer generally, but those extreme upholders of the present system who cling to an autocratic and irresponsible theory of ownership which is as inconsistent with human welfare as it is contrary to the ideals of democracy.

#### SUPPLEMENT FROM PIUS XI's "RECONSTRUCTING THE SOCIAL ORDER"

Since the above was written we have had Pius XI's Encyclical, *Reconstructing the Social Order*. Issued on the fortieth anniversary of Pope Leo's *Condition of Labor*, it supplemented that document in several places. Some of the more pertinent additions, simply of emphasis or of development, are placed at the end of the respective sections of this pamphlet. (All quotations are from the N. C. W. C. printing.)

*Superfluous income*—"The investment of superfluous income in securing favorable opportunities for



employment, provided the labor employed produces results which are really useful, is to be considered, according to the teaching of the Angelic Doctor, an act of real liberality particularly appropriate to the needs of our time" (p. 18).

*Public ownership not Socialism*—"Certain forms of property must be reserved to the State, since they carry with them an opportunity of domination too great to be left to private individuals without injury to the community at large" (pp. 35, 36).

*Distribution of ownership*—Unless the non-owners get enough income to save and rise to ownership and actually do so, there is no security against revolution (pp. 21, 22).

*A distribution of income that will permit maximum employment*—"Social justice demands that such a scale of wages be set up . . . as to offer to the greatest number opportunities of employment and . . . means of livelihood" (p. 25).

*Price-proportions*—Also "a reasonable relationship between prices" (p. 25).

*Full production and distribution for human needs*—"Then only will the economic and social organism be soundly established and attain its end, when it secures for all and each those goods which the wealth and resources of nature, technical achievement, and the social organization of economic affairs can give. These goods should be sufficient to supply all needs and an honest livelihood, and to uplift men to that higher level of prosperity and culture which, provided it be used with prudence, is not only no hindrance but is of singular help to virtue" (p. 25).



*Government Regulation of Property*—"Provided that the natural and divine law be observed, the public authority, in view of the common good, may specify more accurately what is licit and what is illicit for property owners in the use of their possessions. . . . Thus it effectively prevents the possessions of private property, intended by Nature's Author in His Wisdom for the sustaining of human life, from creating intolerable burdens and so rushing to its own destruction" (p. 17).

## II

### A SUGGESTED LIMITATION OF CAPITALIST PROPERTY<sup>2</sup>

SEVERAL of the British and American programs of social reconstruction published in the years 1918 and 1919, called for a change in the laborer's *status*. According to these publications, the laboring masses now demand and require something more than betterment of their condition as wage earners. It is not enough that they should enjoy good wages, short hours, and security against the evils of sickness, accidents, unemployment and old age. Their position in the industrial system must include other functions in addition to those comprised in the traditional concept of employees.<sup>3</sup>

A change in the status of the worker implies a change in the status of the capitalist. If the laborer becomes something more than a wage earner, the capitalist must give up some of his present power. He must transfer to the laborer some degree of control, of profits, or of ownership. This paper deals only with profits.

The laborer should be put in a position to share in the *surplus* profits of industry. After standard wages, a reasonable rate of interest, adequate remuneration of management, and all the other proper expenses of production have been paid, the wage earners should share

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<sup>2</sup> Reprinted from *Scientia*, Milan, Italy, September, 1922.

<sup>3</sup> Cf. *Social Reconstruction: A General Review of the Problems and Survey of Remedies* (Catholic), *The Church and Social Reconstruction* (Protestant).

the surplus, not with the owners of capital, but with the managers of the business. "Standard wages" means compensation adequate to a decent living for all employees, and something more than that for those workers who have special claims on account of greater skill, hazard, productivity, or any other special factor. "A reasonable rate of interest" is the rate which suffices to attract investment to a given industry. When the investor no longer hopes to share in surplus profits, he requires an increase in the rate of interest. Or, he demands dividends on a cumulative basis. For example, if the prevailing rate were six per cent, and if the stockholders in a concern had obtained only three per cent in each of the two preceding years, they should receive three, plus three, plus six, or twelve per cent, in the current year. In other words, the capitalist should be *guaranteed* an annual return of six per cent. Until this and all the other charges have been fully met up to date, there are no surplus profits. When a surplus arises, it should be distributed among all the members of the labor force and of the management. In a joint stock company a fair basis of distribution would seem to be the various salary rates and wage rates of the participants, from the president down to the office boy. The share of each would be proportioned to his regular wage or salary. Without very great difficulty, the same method could be applied to individual businesses and partnerships. In any case no part of the surplus would go to the owners of capital *as owners*. Those who participated would do so *as workers*, and in proportion to their productive importance.

This kind of profit sharing would vastly increase the

interest of the laborer in his work. It would hold out to the rank and file of the workers that inducement which has been mainly responsible for the initiative, the energy, the enterprise and the achievements of our captains of industry. That is, the hope of indefinite gain, unrestricted by law, and determined only by the finite capacities of the pursuer. If this hope, this opportunity, has justified itself in the achievements of the business man, why should it not prove efficacious in stimulating the productivity of the masses? They have the same psychology as the directors of industry and respond to the same economic incentives.

When the power to receive surplus profits was transferred from the capitalist to the wage earners and the management, it would neither tend to retard production nor constitute an unreasonable limitation of property rights. It would be vastly more scientific and more reasonable than the existing arrangement. In his very suggestive little book, entitled *The Sickness of an Acquisitive Society*, Mr. R. H. Tawney observes that the two main purposes, advantages and justifications of property are possession of the fruits of one's labor, and provision for the uncertainties of the future.<sup>4</sup> Today, however, a large part of corporate property enables proprietors to enjoy the fruits of other persons' labor, and to obtain an amount of insurance against the future which is unnecessary and excessive. Our conception of property has not taken account of the changes in the functions of the proprietor. Because the small farmer, the small shopkeeper, the independent artisan, obtain

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<sup>4</sup> See especially the chapter on "Property and Creative Work."



all the profits of their businesses, and should obtain them all, we have assumed that this variable share should likewise be taken by the non-working stockholder in a corporation. We have permitted him to obtain not only the normal rate of interest or dividend, but an additional percentage from surplus profits.

This practice can be justified neither by logic, by economics nor by human welfare. From the fact that one kind of property yields to the owner profits, it does not follow that a very different kind of property should be permitted to do the same. According to the traditional economic conception, profits are that residual, variable and indefinite share of the product which compensates the operating owner, the business man, for his labor and risk. That the active owner of an individual business, or the active partner in a firm, should obtain this share is economically reasonable. That the inactive member of a joint stock company should enjoy the same advantages, is an empty assumption; for he performs no labor, and he is sufficiently compensated for his risk by his dividends. When he participates in the profits he does so merely as *owner*. But his function as owner has already been sufficiently recompensed in the dividends that he has received. In normal conditions the dividend rate is an adequate inducement to saving, and to the continuation of investment in any particular concern. These comprise all the functions of ownership which call for compensation. Participation in the election of company officers is too insignificant and perfunctory to merit consideration.

In the present system, the variable return called profits goes to those who do not require it as an induce-

ment to perform their necessary economic functions; in the arrangement here proposed, profits would go to those who create them, and who require them as a stimulus to increased production. The disposition which society now makes of industrial profits is uneconomic, unscientific and inefficient.

The existing practice is contrary to human welfare because it rewards idle ownership at the expense of labor. Aside from the lessened social product which results from the encouragement of the former and the discouragement of the latter, there are the excessive rewards obtained by the one class and the insufficient rewards given to the other class.

In the joint stock company, the functions of the inactive stockholder are much more akin to those of the bondholder than they are to those of the active owner of a small business. Neither the stockholder nor the bondholder participate to any considerable degree in the operations or management of the company. The main difference between their positions lies in the different kinds of security supporting their respective investments. While the bondholders have a prior claim, a first mortgage, on the assets, the stockholders receive a higher rate of interest. What is here proposed, then, is that the *rewards* of the stockholder should be brought into harmony with his *functions*. Since his position and functions resemble those of the bondholder, he should be compensated on that basis. He should receive normal and adequate interest, but have no part in profits. In so far as his risk is greater than that of the bondholder, it would be fully met by the higher rate and the cumulative dividends. In any stable industrial

concern, it would be a simple matter to fix such a rate of cumulative dividends as to render the stock quite as attractive an investment as the bonds.

More fundamental is the objection that the shareholders in the great majority of stock companies do not now, taking one year with another, obtain from dividends and surplus profits combined more than they would get from cumulative dividends alone; hence there would be no surplus profits to swell the income of labor. The reply is twofold. First, the objection does not apply to the largest and most prosperous concerns. There is no reason why the stockholders in these corporations should receive exceptionally high returns; for they have produced neither the prosperity nor the unusual profits. In the second place, it is probable that the surplus profits in all the average concerns would have to be produced in the main by labor, through the increased efficiency induced by the hope of profit sharing. Indeed, this is one of the principal advantages of the proposed arrangement.

Up to the present we have been considering the inactive stockholder. What about the general officers and the board of directors? They are not merely owners; they are the active directors of the business. For their directive functions they should, of course, receive ample compensation; but this recompense should come to them on the basis of and in proportion to these functions, not according to the amount of stock that they happen to own. The share of the surplus profits which they have created is not measured by their shares of stock, but by their managerial activities. Hence there is no reason why they should receive a higher rate of dividend than



the inactive stockholders. As owners, they have produced no more than the latter. As active directors, they have played a very important part in the creation of the surplus profits, and they should be rewarded accordingly. This would be a more scientific method than the one now prevailing; for it would relate reward to activity, the effect to its actual rather than its conventional cause.

At present the officers of a corporation must divide the surplus profits with the inactive stockholders. In the system here proposed, they would have to share the surplus with all the other workers. Whether their portion would be greater or less than they now receive, would depend upon several factors: the amount of stock that they owned, the basis of distribution as between them and the rank and file, and the extent by which the total product would be increased. In any case, the profit share would be determined by achievement, not by mere ownership; and it would evoke the productive effort that is always aroused when rewards are placed upon the former basis.

An important social effect of the limitation of dividends would be the discouragement of unproductive and anti-social speculation. When the annual returns on stock were fixed and limited, its value would fluctuate only slightly on the stock exchanges. It would have little attraction for the professional speculator. And the owners would not be tempted to interfere with the management of the business in order to manipulate the price of the stock. The corporation would be operated as a productive concern, not as a means of gambling.

It may be objected that the stockholders, even the



inactive majority, are ultimately *responsible* for the prosperity of the concern, and for this responsibility should receive some remuneration. The reply is that "responsibility" has no real meaning except in so far as it can be expressed in terms of labor or risk. Now the "labor" performed by the stockholders in selecting the officers is practically nothing, while they are sufficiently compensated for risks by the higher rate of interest which they receive, as compared with the bondholders.

Moreover, it is not necessary, nor always desirable, that the stockholders should continuously or annually determine either the personnel of the management or the policies of the company. Ultimate and conditional control would safeguard the interests of the stockholders, and would frequently encourage greater industrial efficiency. In the Dennison Manufacturing Company, of Framingham, Massachusetts, the preferred shareholders receive a fixed annual return but no profits, and so long as the business is reasonably prosperous, they have no authority over the management. The immediate control is in the hands of those managerial employees who have been with the company for at least five years. They share the surplus profits with the subordinate employees. If dividends average less than eight per cent over a period of three years, the voting power and the control revert to the owners of the preferred stock. Hence there is always a strong inducement for the managerial employees to make the business successful. In this arrangement not only are rewards determined by functions, but the operating function is normally and immediately performed by the most capable persons in the company, while the inactive stockholders exercise

only that conditional control which is necessary to protect their interests as owners.

It has been objected that this separation of ownership from management could not be successfully effected in new enterprises, for two reasons: First, investors would not readily subject their money to a fixed and limited rate of interest at the outset; second, several years would be required to develop capable management. These contentions have considerable force, but they are not unanswerable. In some cases, the promoters of the new enterprise might themselves undertake the responsibility of management for a considerable time. If they commanded sufficient confidence, they would be able to attract investors quite as readily as they do at present. Investors would have the same confidence as now in the new concern, and would accept cumulative dividends, combined, if necessary, with a higher dividend rate, as a substitute for surplus profits and continuous control. In most cases, however, it would probably be better to defer the introduction of the plan for a period of ten years. At the end of that period, capable managers, from top to bottom, would have been trained, the managerial organization would have been perfected, and the competency of both personnel and organization would have become a matter of public knowledge. This arrangement would meet both of the aforementioned objections: it would give the investor confidence, and it would develop a competent management. The stockholders could then be reasonably required to surrender their power of continuous control and their receipt of surplus profits.

To the ignorant, the timid and the Tory-minded,

the scheme here advocated will probably seem revolutionary. To those who are not terrorized by epithets, and who are capable of judging institutions by what they do rather than by what they are called, it will appear as a moderate and logical development of existing arrangements. The most "revolutionary" feature, the limitation of returns on capital, is already contained in the legal regulation of public service corporations, such as railroads, street railways, lighting companies, etc. These corporations are practically restricted by law to a "fair rate" of interest on the invested capital. And the courts of the United States sometimes interpret this as low as five per cent, rarely over seven per cent. What economic or ethical reason can be alleged for permitting the investors in other corporations to receive more than an assured fair rate of interest?

Turning for a moment to the moral aspect of the proposal, we note that, in several of the formal pronouncements which the authorities of the Catholic Church issued during the nineteenth century, tolerating interest on loans, it is specified that the rate should be "moderate." Moral theologians invariably declare that the fair rate is a "moderate" rate. Some of them mention five per cent. Others define it as "the rate prevailing in the open market." If such a rate is fair on loans, it is likewise ethically sufficient on invested capital, on the shares of stock in a corporation, plus an additional percentage to meet the greater risk. In the arrangement that we are considering, the extra risk would be protected by a higher rate and by the provision that the dividends should be cumulative.

In his Encyclical, *On the Condition of Labor*, Pope



Leo XIII condemns Socialism and strongly upholds the right of private property. He sets forth the advantages of the latter briefly but comprehensively. Among them he does not mention that of getting indefinite interest or indefinite profits from an investment. According to Pope Leo, the institution of private property is beneficial and necessary for three principal purposes: It enables the wage earner to convert his wages into stable goods, specifically, land; it enables a man to make provision for the needs of the future; and it enables a father to bequeath a source of income to his children. In other words, the great Pontiff looks upon property primarily as a means of employment and of livelihood, as an assurance of sufficiency and security, not as a source of indefinitely large unearned income. The modern perversion of the property concept, the idea of property as an instrument of indefinite gain, regardless of the functioning of the owner, receives from the Pope not even implicit recognition. Indeed, it is condemned in the single passage where it seems to have been considered. The great Pontiff denounces "that rapacious usury which, although more than once condemned by the Church, is nevertheless under a different guise, but with the like injustice, still practiced by covetous and grasping men."

The American Bishops' *Program of Social Reconstruction* declares that the principle of restricting investors to a fair or average return "should be applied to competitive enterprises," as well as to public service corporations. "Something more than the average rate of return," says this Program, "should be allowed to men who exhibit exceptional efficiency." This excep-



tional return would be forthcoming in the form of surplus profits, and these would be a more accurate measure of the manager's efficiency than the amount of stock that he happened to own.

Even the average, or competitive, rate of interest cannot be demonstrated as due the capitalist in *strict justice*. The common opinion that the productive service of capital creates such a right, remains a more or less plausible assumption. Possibly, even probably, some interest is necessary in order to evoke sufficient saving for an adequate supply of capital. That the prevailing rate is necessary for this purpose, is the opinion of some, but by no means all, economists. That it is certainly sufficient, is denied by no competent authority.

The sum of the matter is that the proposed limitation of capitalist gains cannot be successfully attacked from the side of either economics or ethics.

How can the changes advocated in this paper be brought about? The most desirable means would be voluntary action by the capitalists, and pressure exerted upon them by the wage earners. Unfortunately, neither of these methods is likely to become effective in the near future. In the meantime, the perversion and abuse of the powers of ownership will go on increasing industrial friction, industrial inefficiency and social injury and waste. In these circumstances, the State would be justified in establishing and enforcing the proposed arrangement, at least, as regards corporations. For these are creatures of the State, and their powers and functions can be modified by the State. In our country, this result would be more easily and effectively attained by Congress than by the State Legislatures. All corpora-

tions could be required to take out a Federal license in order to engage in interstate commerce, and the license could require the corporation to adopt and operate the profit-sharing plan advocated in these pages. Corporations that did not ship their products across State lines, could not be compelled to take out Federal licenses, but these would be of small importance. The proper rate of return to the stockholders in the various corporations could be determined by a Government commission of experts, just as a fair rate is now fixed by the courts of the United States for public service companies. If labor and management could not agree upon the basis for the distribution of surplus profits, the determination could be made by a public agency. These are matters of detail which could be readily adjusted, once the principle were enacted into law.

#### SUPPLEMENT FROM PIUS XI'S "RECONSTRUCTING THE SOCIAL ORDER"

*The Form of Private Ownership*—"History proves that the right of ownership, like other elements of social life, is not absolutely rigid, and this doctrine We Ourselves have given utterance to on a previous occasion" (p. 17).

*Profit Sharing*—"The distribution of created goods must be brought into conformity with the demands of the common good and social justice, for every sincere observer is conscious that the vast differences between the few who hold excessive wealth and the many who live in destitution constitute a grave evil in modern society" (p. 21).

“In the present state of human society, We deem it advisable that the wage contract should, when possible, be modified somewhat by a contract of partnership, as is already being tried in various ways to the no small gain both of the wage earners and of the employers. In this way, wage earners are made sharers in some sort in the ownership, or the management, or the profits” (p. 23).

### III

## THE CHURCH AND A BETTER SOCIAL ORDER <sup>5</sup>

THREE questions are raised by this title: Why should the Church take any attitude toward a social or industrial system? What are her lines of approach to industrial problems? What pronouncements has the Church actually made concerning a better social order? The first is a question of functions; the second, of method; the third, of doctrines enunciated and deeds accomplished.

The attitude of the Church toward industry and industrial relations is condemned from two opposite viewpoints. According to one group of critics, the Church gives too much attention to purely religious activities, such as preaching, religious worship and ceremonies, the administration of the Sacraments, and other spiritual functions. She does not participate sufficiently in the controversies between capital and labor, nor show sufficient care for the welfare of the weaker economic classes, nor contribute all that she might to the solution of industrial problems. Those who take this view place great emphasis upon the words and deeds of Christ on behalf of the poor and the afflicted. In their view, the Church should function mainly as an organization for social reform. These are the social radicals.

Another set of critics maintains that the Church goes beyond her sphere when she deals with industrial conditions, or proposes industrial reforms. In their

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<sup>5</sup> Reprinted from the *Quarterly Bulletin* of the Meadville Theological School, April, 1922.



opinion, the Church should confine herself entirely to spiritual matters. She has no mission to discuss wages, or profits, or interest, or prices, or good housing, or labor unions, or any other industrial fact, relation or institution. These are the social reactionaries.

Evidently both of these groups are wrong. The Church is not mainly an institution for social or industrial reform. She was commissioned by Christ to save souls, individual souls, to direct and assist men and women in attaining the Kingdom of Heaven. On the other hand, she has very much to do with social and industrial questions and conditions. Pope Leo XIII declared that the social question is primarily moral and religious, not merely economic, and that all the strivings of men to solve it will be in vain if they leave out the Church. The reason is plain. In her work of saving souls, the Church must not only teach men what to believe, but also direct them along the way of right conduct. "Faith without works is dead." Men cannot save their souls by professing faith alone; they must also practice righteousness. "Not everyone that saith to Me Lord, Lord, shall enter the Kingdom of Heaven, but he that doeth the will of My Father Who is in Heaven, he shall enter the Kingdom of Heaven."

To do the will of the Father requires obedience to every moral law. One must do good and avoid evil in every field of activity. As the supreme teacher of morals, the Church must instruct men in the principles of right conduct in all the relations of life. She must teach men and women not only how to be good fathers, mothers, brothers and sisters, sons and daughters, to be pure in their individual lives, to be submissive to the

will of God, but also to practice charity and justice in all their social and industrial relations. Charity and justice are among the most comprehensive and the most important Christian virtues. The opportunity to observe them and the temptation to disobey them, arise more frequently perhaps in the sphere of industry than in any other department of conduct. The Church and the moral law require men to exemplify charity and justice in buying and selling, in hiring and discharging, in borrowing and lending, in serving and directing, and in every other action which they perform in the world of business and industry. The theory that this sphere of activity is exempt from the moral law, or has an independent ethics of its own, finds no support in right reason. All industrial actions and relations are either morally good or morally bad. As such, they are within the immediate and proper province of the Church.

### THE AVENUES OF APPROACH

There are three conceivable ways in which the Church may speak and act with relation to industrial problems. The first has to do with principles; the second and third with methods. As regards principles, the Church deduces from the moral law general rules for the ethical Government of industrial relations and institutions. For example, Pope Leo XIII proclaimed the right of labor to a living wage, the duty of labor to perform a fair day's work and to refrain from seeking its ends through violence, the obligation of employers to abstain from laying excessive burdens upon their employees, and from depriving them of the opportunity

for religious worship, rest and recreation, the right of the State to intervene in industry in the absence of other means of remedying abuses, and a great many other specific rules and regulations. All these pronouncements constitute applications of general moral principles to particular economic conditions. In a different industrial system, most of these specific rules would not be pertinent. In that case, a different set of particular regulations would be drawn from the same fundamental moral principles.

The other sphere in which the Church properly intervenes is that of methods or proposals of social and industrial reform. As in the field of principles, so here, the Church is mainly concerned with morals, with the ethical aspects of proposals and measures. In this matter, the authorities of the Church may follow the first of two courses, or they may follow both. They may content themselves with pronouncing moral judgments upon reform proposals and methods, or they may go further and more or less actively advocate the adoption of such methods and measures as they find to be morally good. For example, Pope Leo XIII condemned the Socialist organization of industrial society as morally wrong; and he approved labor unions, joint boards of employers and employees, and organizations for the adjustment of industrial disputes. Incidentally, one is tempted to observe that the condemnation of Socialism, whether by Pope, Bishop or priest, is never criticized by Catholic business men, while the approval of labor unions is not infrequently complained of as an improper "interference in business." The Pope might have declared that a minimum wage law would or would not



be a morally lawful method of making effective the living wage principle. As a matter of fact, no Pope has made any such declaration; but it would represent an entirely proper exercise of the Church's function of applying general principles of morality to particular methods of industrial reform. To put the case in general terms, the approval or disapproval of methods and measures of reform exemplifies the particular application of the general principles of industrial morality. It is obviously a proper exercise of the moral authority and functions of the Church.

The difference between uttering moral judgments in approval of reform proposals and the active advocacy of such measures, is mainly a matter of emphasis. Examples of advocacy are plentiful in the Encyclical which we have been discussing of Pope Leo XIII. He recommends the multiplication of property owners by the State, certain means by which the State should prevent strikes, certain kinds of industrial associations, etc., etc. In their *Program of Social Reconstruction*, the Bishops who constituted the Administrative Committee of the National Catholic War Council, advocated many specific measures, such as a legal minimum wage, social insurance, labor participation in management and progressive taxation of incomes and inheritances.

These, then, are the three principal ways in which the authorities of the Church may properly make pronouncements concerning business and industrial relations: By applying the general principles of morality to particular economic practices; by passing judgment upon the morality of particular methods or measures of reform; and by advocating and urging the adoption of



certain methods and measures. All the great Encyclicals and other declarations of the Popes on the social question exemplify all three of these forms of "intervention."

Obviously the last of the three forms will not have as much official authority as the first two, since it involves questions of practical expediency as well as the question of moral principle. Nevertheless, it is quite natural and eminently desirable that the authorities of the Church should on opportune occasions advocate particular reform measures which they know to be morally right and which they believe to be actually expedient. It is quite unnatural and not at all desirable that they should maintain a specious attitude of "neutrality."

### THE DOCTRINES AND ACHIEVEMENTS

By far the most important statement of the Church is the Encyclical, *On the Condition of Labor*, May 15, 1891, by Pope Leo XIII. At the beginning of this document, the Pope declared that "some remedy must be found, and found quickly, for the misery and wretchedness pressing so heavily and unjustly at this moment on the vast majority of the working classes." Indeed, he went so far as to assert that "a small number of very rich men have been able to lay upon the teeming masses of the laboring poor a yoke little better than that of slavery itself."

What is the remedy for this condition? Not Socialism, said Pope Leo. A Socialist organization of industrial society would not provide a better social order "for it would injure those whom it is intended to benefit, it

would be contrary to the natural rights of mankind, and it would introduce confusion and disorder into the commonwealth." Not by the Socialist theory of class hostility and class conflict, but by the Christian doctrine of interdependence and harmony between the two great industrial classes, will a better order be established. The members of both the capitalist class and the laboring class should realize that they are all children of a common Father, and have the same last end, namely, God Himself. According to the Christian teaching, the former must not look upon their possessions as something that they can do with as they please; they must use them for the benefit of others, and they must not use their employees "as mere instruments for making money." On their part, the wage earners should realize that the condition of labor is nothing to be ashamed of, that it has been dignified and ennobled by Christ Himself, and that they are morally bound to fulfill all the just requirements of their labor contracts. Such is the spirit in which the two classes should regard their respective positions and discharge their respective obligations.

Space is wanting for an adequate presentation of all the important principles and methods which Pope Leo recommends in this Encyclical for the creation of a better social order. We pass over his pronouncements concerning Sunday rest, the right of the workers to reasonable leisure and recreation, the evils of child labor, the wrong of compelling women to work at tasks unfitted to their sex and strength, excessively long working hours, and a great number of other employment conditions. We shall content ourselves with the presen-

tation of four supremely important subjects. The first concerns property; the second, wages; the third, labor organizations; the fourth, the industrial functions of the State.

While Pope Leo condemned common ownership of property as proposed by the Socialists, he insisted that individual ownership should not be restricted to the few. He expressed a desire for a condition in which the workingman would be able to accumulate some productive property. The State, he said, should favor ownership, and carry out a policy which would induce as many persons as possible to become owners. He deplored the present concentration of ownership which divides society into two widely different classes, one of which "holds the power because it holds the wealth, has in its grasp all labor and trade, manipulates for its own purposes all the sources of supply, and is powerfully represented in the councils of the State itself." Were the workers given a real opportunity to become property owners, "the gulf between vast wealth and deep poverty would be bridged," the amount of products would be greatly increased, and "men would cling to the country in which they were born." This view of the distribution of industrial property is far removed from the theory that is becoming alarmingly widespread among both the possessors and the nonpossessors of our time. That is, the theory that the instruments of production naturally fall under the ownership and operation of a very small proportion of the population, while the great majority can hope only for good living conditions as wage earners and industrial dependents. Pope Leo realized fully the social and industrial importance



of ownership, and the social necessity of its wide and general distribution. This doctrine of the great Pontiff is even more vital and important today than when he enunciated it more than thirty years ago.

Concerning wages, Pope Leo did not lay down a complete ethical system. He made no attempt to formulate a doctrine on completely just wages. Instead, he contented himself with the definition of a single principle which is of fundamental significance. That is, the principle of the minimum just wage, or the living wage. Before stating this principle, he repudiated the perverted doctrine of free contract as an ethical determinant of wages. Morally superior to all human agreements, he declared, is the dictate of the moral law of nature that remuneration should be sufficient to enable the wage earner and his family to live decent human lives. Here, again, we have a principle which is still of surpassing importance. In every country of the world, including our own, the wages of the majority are below the standard that Pope Leo declares to be the minimum consistent with the moral law. Were all the workers in receipt of this minimum, the question of higher rates of wages for those classes possessing special claims would be comparatively easy of solution. If all laborers received living wages, they would have economic power sufficient to remove many of their other disabilities without the necessity of recourse to the State. The problem of a better social order would be immensely reduced and simplified.

The teaching of Pope Leo on labor organization is likewise of vital importance today. In view of the organized assaults that have been made in the last three

years on the whole institution of labor unionism, it is refreshing and reassuring to recall the declaration of the great Pontiff, that "workmen's associations should be so organized and governed as to furnish the best and most suitable means for attaining what is aimed at, that is to say, for helping each individual member to better his condition to the utmost, in body, mind and property." Here we have a pronouncement to the effect, not only that some kind of labor unions are necessary, but that the unions should be effective. Were Pope Leo alive to-day, he would not be deceived by the hypocritical movement in favor of the "open shop." He would have no difficulty in penetrating the sham of a labor union which is permitted to exist, but not to function.

On a preceding page we quoted the far-reaching principle which Pope Leo proclaimed concerning the industrial functions of the State. We noticed it there in relation to the regulation of industrial property. It is at least of equally great importance for employment relations and the condition of the workers. Among the events and situations in which the State should intervene for the benefit of the laboring population are strikes, employment conditions which are injurious to family life, to morals, or to the practice of religion, burdens which are degrading to the dignity of the workers as human beings, and tasks detrimental to health or unsuited to sex or age. Just as the Pope's commendation of effective labor unions is in healthy contrast to the insincere nonsense preached today on that subject, so is his declaration in favor of what is, in reality, and in the best sense, class legislation. In his doctrine on State assistance, the poor and helpless have a claim to special

consideration. "The richer population have many ways of protecting themselves, and stand less in need of help from the State; those who are badly off have no resources of their own to fall back upon, and must chiefly rely upon the assistance of the State. It is for this reason that wage earners, who are undoubtedly among the weak and necessitous, should be specially cared for and protected by the commonwealth." To those who try to analyze things as they are, rather than to accept and repeat formulas and catchwords, this doctrine will appear as obvious reason and common sense. Inasmuch as different economic classes have different needs, they must be treated differently by the State if they are to be treated justly. Hence the essential soundness of well-considered class legislation. Not until our lawmakers frankly and intelligently accept this principle, will they be able to adopt a consistent and effective program of State intervention in the relations between capital and labor.

The most interesting and specific pronouncements of religious bodies concerning a better social order are to be found in the various programs of social and industrial reconstruction composed and published by them since the close of the Great War. All these statements were issued at a time when the social idealism generated by the war was still alive and impelling. Chief among these pronouncements are *Social Reconstruction; a General Review of the Problems and Survey of Remedies* (January, 1919), by the Administrative Committee of the National Catholic War Council; *A Christian Social Crusade* (1918), by the British Interdenominational Conference of Social Service Unions; *The Church and*



*Social Reconstruction* (May, 1919), by the Commission on the Church and Social Service of the Federal Council of the Churches of Christ in America; *Report on Christianity and Industrial Problems* (1918), by the Archbishops' Fifth Committee of the Church of England; *The Church and Industrial Reconstruction* (1920), by the Committee on the War and the Religious Outlook; and *Social Justice Program* of the Central Conference of American Rabbis (1920).

While these statements exhibit, as we might expect, a considerable amount of diversity both as regards subject matter and emphasis, they also show a great measure of agreement. Their main proposals may be summarized under the head of Sufficiency, Security, and Status.

*Sufficiency* may be taken to indicate the sum total of goods and opportunities, as regards both labor conditions and living conditions, which are necessary to safeguard the welfare of the working classes from day to day. It has reference only to the present. Its chief elements may be comprised under wages, working hours, safety and sanitation, labor unions, child labor and arbitration. Most of the reconstruction programs have dealt with several of these subjects. The Bishops' Program called for the enactment of minimum wage laws which would provide remuneration at least sufficient for the proper maintenance of a family in the case of male adults, and adequate to the decent individual support of female workers. According to the authors of this document, the general level of wages in the United States at the close of the war should have been maintained, even though the cost of living declined moder-

ately. The Bishops also expressed themselves in favor of a national child labor law, labor unions and perfectly free collective bargaining, municipal housing, a national unemployment service, and a national labor board for the adjustment of industrial disputes upon the basis of a code of industrial principles and rights similar to that which guided the National War Labor Board. The Federal Council of Churches declared that a living wage should be the first charge upon industry, to be paid before dividends are considered, and approved the proposal of the British Quaker employers for a division of the industrial surplus, between the workers and the consumers. The Central Conference of Jewish Rabbis recognized the right of labor to organize and to bargain collectively through representatives of its own choosing.

*Security* has reference to the future. It can be provided mainly through the legal measures denoted by the term "social insurance." Under this phrase is included insurance against all sorts of sickness and accidents, unemployment, invalidity and old age. The social reconstruction program of the Catholic Bishops, the program of the Federal Council of Churches and several of the pronouncements of other denominations favor these forms of protection for the working classes. Another kind of security for the great masses of the laboring people is a system of vocational or industrial training. The Catholic program and several of the non-Catholic programs advocate this institution.

*Status* has to do, not so much with the present livelihood or the future security of the wage earner, as with his position in the industrial system. As just summarized, the benefits of sufficiency and security might con-

ceivably be all that the working population requires for right living and adequate opportunity of self-improvement. There is, however, grave reason to doubt the correctness of this theory. In a political democracy, it is not at all certain that an industrial autocracy can, or ought to, survive permanently. The best interests of the wage-earning classes, and of society generally, seem to demand that wage earners should be something more than wage earners. They ought to have some share in, and responsibility for, the operation and the ownership of industry. Only in such a social organization can the more extreme dangers of class conflicts be removed, and the working classes obtain opportunity for the full development of all their faculties. Hence we find the social reconstruction programs of the Catholic Bishops and of the Federal Council of Churches advocating labor participation in industrial management. The first of these documents goes further, and declares that the majority of the workers should become owners, at least in part, of the instruments of production, through co-operative enterprises and copartnership arrangements. Other programs call for workers' sharing in the surplus profits of industry.

In addition to those proposals and measures which have a direct bearing upon the condition of labor and the relations between employer and employee, certain other industrial recommendations are found in some of the reconstruction programs formulated by the churches. The Catholic Bishops' pronouncement has some strong sentences concerning the extortionate practices of monopolies, going so far as to suggest government competition with monopolistic concerns which



cannot be adequately regulated by any other method. This document also recommends heavy taxation of incomes, excess profits and inheritances.

Such, in summary and inadequate language, are the principal pronouncements of the religious forces of our time concerning a better social order. Not all social students will agree as to the efficacy of the proposals, but no one can fairly deny that they represent serious, intelligent and systematic efforts to apply the principles of Christian morality to the reform of industrial abuses. The principal contribution which religious bodies can henceforth make to the attainment of a better social order will not be the formulation of new programs or new proposals, but the continuous and specific application of the principles and proposals already adopted. This is by far a greater and more perilous task than that which has already been accomplished. Nevertheless, it will have to be frankly faced and courageously assumed if the Church is to discharge her function of moralizing industrial practices and institutions. It is now universally recognized that the Church did achieve this result in the Middle Ages, and there is no fundamental reason why she should not repeat that achievement in our day. "The arm of God is not shortened."

#### SUPPLEMENT FROM PIUS XI'S "RECONSTRUCTING THE SOCIAL ORDER"

The title of the whole Encyclical is taken from the section which describes an economic order which is to be restored and that is to take the place of both Individualism and the new private economic dictatorship which the Encyclical says has succeeded to competition.

In summary, this economic order is a system of economic self-government by organized industries and professions, thus: (a) *The industries and professions* ("One and the same group joining forces to produce goods or give service"); (b) *Organized* ("Associations"); (c) "*Autonomous*"; (d) *Interrelated* ("All groups should unite").

Within the organized industry and profession there are to be free organizations for the separate classes or other subdivisions, thus: "Free to institute unions; the same . . . beyond the limits of a single trade [*i. e.*, industry or profession]." These are to have rights of "separate deliberation and separate vote." Collective bargaining can and must be an approach to this system.

The precedent seems to be the guild system, but not a precedent to be slavishly imitated (and certainly not as to a return to artisanship which was merely the technique of an earlier time), thus: "At one period existed a social order which corresponded in a certain measure to right reason." Organization by industries and professions is, the Encyclical says, "considered by many if not essential at least natural to human society."

The "guild" decides its own form of organization so long as the end is thereby obtainable; but government should help their establishment, and once they are established the government should continue "directing, watching, stimulating, restraining" according to needs.

The function is primarily that of "directing the activities" of the industry or profession "to the common good"; and the common good, or the general welfare, is the aim of the virtue of social justice. The wide range of social justice is partly indicated in sections II and

III of this publication. It will take the place of Individualism, since "the proper ordering of economic affairs cannot be left to competition"; and also of the new private dictatorship of wealth, of control of invested funds and of credit power, which "still less" can properly order economic life.

It will ward off excessive governmentalism by establishing, even while keeping the sovereignty of Government, a division of powers between an organized economic self-government and political government. It will cure the class struggle by "binding men together according to their diverse functions . . . (for) the common good." It is also extensible to the international field. It is a combined "social," *i. e.*, economic, and "juridical," *i. e.*, governmental, order.

To emphasize the unity of this form of economic system the Encyclical quotes Paul to the Ephesians on the Mystical Body of Christ. "The whole body, being compacted and fitly joined together, by what every joint supplieth, according to the operation in the measure of every part, maketh increase of the body, unto the edifying of itself in charity" (Eph. iv, 16).

To be truly effective, "social justice must build" it. Social charity is, as it were, its soul. As necessities for its existence, the Encyclical enumerates: "Blessing of God . . . coöperation of all men of good will . . . contribution of technical, commercial and social competence; and of Catholic principles . . . through Our sons whom Catholic Action imbues and trains."







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